

Summary of Texas Fiscal Condition  
Western States Legislative Fiscal Officers Association Meeting  
Helena, Montana  
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What's the size of the current Texas budget?

- Biennial Budget for Fiscal Years 2012 and 2013: \$81.3 billion General Revenue (GR); \$173.5 billion All Funds.

What's the current GR budget shortfall?

- Estimated \$5.2 billion (6.4 percent of appropriated GR).
- Estimates of significant components:
  - ✓ \$4,880 m. Medicaid shortfall. Medicaid was deliberately underfunded in the original 2012-13 budget bill.
  - ✓ \$190 m. cost of wildfires that occurred in late summer and fall of 2011.
  - ✓ \$93 m. CHIP shortfall.
  - ✓ \$39 m. cost overruns in correctional managed health care.

What's the current revenue situation?

- Estimated 2012-13 ending GR balance at the end of the prior session \$1.6 b. (Comptroller's Certification Revenue Estimate (CRE)).
- Fiscal 2012 GR revenue trending almost \$3.0 b. over the CRE (7.5 percent).
- Fiscal 2012 franchise tax revenue to the Property Tax Relief Fund (PTRF) trending almost \$500 m. above estimate (23.4 percent).
- Should fiscal 2013 GR and PTRF collections grow another 5 percent in fiscal 2013, then the estimated ending 2012-13 GR balance would be \$8.3 b.
- Estimated 2012-13 Rainy Day Fund ending balance: \$8.1 billion

What's the spending outlook for the upcoming 2014-15 biennial budget?

- The 2014-15 current law GR budget outlook can be divided into several categories:
  - ✓ Structural impact of 2012-13 shortfall:
    - Almost \$5 b. from 2012-13 Medicaid and CHIP shortfall.
    - An estimated \$1.9 b. from the impact of an August 2013 deferral.
  - ✓ Normal pressures due to:
    - Medicaid and CHIP caseload and cost growth.
    - Public school enrollment growth, as well as facilities and instructional materials costs.
    - Increases higher education enrollment.
    - Increased employer costs.
    - Increased debt service obligations.

- ✓ Restoring certain spending to levels prior to 2012-13 budgeted amounts. The 2012-13 biennial budget included reductions in:
  - Higher education institution funding
  - Student financial aid
  - State obligation to the Foundation School Program
  - Other specific public education programs
  - Non-Medicaid health and human service programs

What's the revenue outlook for the 2014-15 biennium?

- A reasonable expectation is that 2014-15 GR revenue grows 4 percent per year over the current 2012-13 trend.
- Given current trends in drilling activity, the Rainy Day Fund would experience increased balances.

Other fiscal issues

- Public school finance litigation
- Water Infrastructure needs
- Transportation funding
- Impact of the Affordable Care Act